

City of Mount Pleasant

**Independent Auditor's Report
Management's Discussion and Analysis
Financial Statements and Supplementary Information
Independent Auditor's Report on Internal Control and Compliance
Schedule of Findings and Questioned Costs**

June 30, 2010

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City of Mount Pleasant

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven K. Brimhall	Mayor	December 31, 2011
Stan Curtis	Mayor Pro Tem	December 31, 2013
Deb Savage	Council Member	December 31, 2013
Terry McWilliams	Council Member	December 31, 2013
Steve Engberg	Council Member	December 31, 2011
Matthew Crull	Council Member	December 31, 2011
Tim Gray	Council Member	December 31, 2010
Brent Schleisman	City Administrator	Not Elected
Florence Olomon	City Clerk/Treasurer	Not Elected
Tammy Detrick	Deputy Clerk	Not Elected
Terry Sammons	Chief of Police	Not Elected
Stewart Kinney	Fire Chief	Not Elected



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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Mount Pleasant, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mount Pleasant, Iowa (City), as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City as of June 30, 2010, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 10 and budgetary comparison information on pages 25 and 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the seven years ended June 30, 2009 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting.

Other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CPA Associates PC

October 27, 2010

City of Mount Pleasant Management's Discussion and Analysis

The City of Mount Pleasant (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 34%, or approximately \$4,856,000, from fiscal 2009 to fiscal 2010. Current year's revenues include general obligation bond proceeds of \$2,610,000 compared to \$7,400,000 of bond proceeds received in 2009 for street, park, and public safety improvements.
- Disbursements decreased 28%, or approximately \$4,551,000 in fiscal 2010 from fiscal 2009. Debt service decreased due to the paying off of the \$5,000,000 bond in fiscal year 2009.
- The City's total cash basis net assets decreased 20%, or approximately \$2,019,000 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$2,016,000 and the assets of the business type activities decreased approximately \$3,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government wide statement by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

City of Mount Pleasant Management's Discussion and Analysis

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sewer and solid waste systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Urban Renewal Tax Increment Financing (TIF), 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Other Nonmajor Governmental Fund. The governmental fund financial statement provides a detailed, short term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds includes a statement of cash receipts, disbursements and changes in cash balances.

**City of Mount Pleasant
Management's Discussion and Analysis**

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains the Enterprise Funds to provide information for the sewer and solid waste funds, considered to be major funds of the City.

The required financial statement for proprietary funds includes a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$7.81 million to \$5.79 million. The analysis that follows focuses on the changes in cash balance for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	Year Ended June 30, 2010	2009
Receipts:		
Program receipts:		
Charges for services	\$ 272	\$ 256
Operating grants, contributions and restricted interest	903	816
Capital grants, contributions and restricted interest	1,010	893
General receipts:		
Property tax	1,897	1,799
Local option sales tax	649	758
Tax increment financing	525	521
Debt service	1,042	991
Unrestricted interest on investments	72	284
Bond proceeds	2,610	7,400
Other general receipts	587	705
Total receipts	<u>9,567</u>	<u>14,423</u>
Disbursements:		
Public safety	1,160	1,226
Public works	552	545
Culture and recreation	1,038	1,127
Community and economic development	341	739
General government	773	714
Debt service	4,161	8,878
Capital projects	3,518	2,865
Total disbursements	<u>11,543</u>	<u>16,094</u>
Change in cash basis net assets before transfers	(1,976)	(1,671)
Transfers, net	<u>(40)</u>	<u>-</u>
Change in cash basis net assets	(2,016)	(1,671)
Cash basis net assets beginning of year	<u>7,813</u>	<u>9,484</u>
Cash basis net assets end of year	<u>\$ 5,797</u>	<u>\$ 7,813</u>

**City of Mount Pleasant
Management's Discussion and Analysis**

The City's total receipts for governmental activities, including bond proceeds, decreased by 34%, or \$(4,856,000). The total cost of all programs and services decreased by approximately \$(4,551,000) or 28%, with no new programs added this year.

The cost of all governmental activities this year was \$11.54 million compared to \$16.09 million last year. However, as shown in the Statement of Activities and Net Assets on page 11, the amount taxpayers ultimately financed for these activities was only \$9.36 million because some of the cost was paid by those directly benefited from the programs (\$272,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,913,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$9,358,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	Year Ended June 30,	
	<u>2010</u>	<u>2009</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,511	\$ 1,553
Solid waste	327	327
General receipts:		
Unrestricted interest on investments	4	12
Miscellaneous receipts	<u>9</u>	<u>5</u>
Total receipts	<u>1,851</u>	<u>1,897</u>
Disbursements:		
Sewer	1,560	1,457
Solid waste	<u>334</u>	<u>320</u>
Total disbursements	<u>1,894</u>	<u>1,777</u>
Change in cash basis net assets before transfers	(43)	120
Transfers, net	<u>40</u>	<u>-</u>
Change in cash basis net assets	(3)	120
Cash basis net assets beginning of year	<u>1,900</u>	<u>1,780</u>
Cash basis net assets end of year	<u>\$ 1,897</u>	<u>\$ 1,900</u>

Total business type activities receipts for the fiscal year were \$1.85 million compared to \$1.90 million last year. This decrease was due primarily to the decrease of sewer receipts. The cash balance decreased by approximately \$3,000 from the prior year primarily because of the increase in sewer disbursements.

City of Mount Pleasant Management's Discussion and Analysis

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,126,000, a decrease of \$81,000 from the prior year.
- The Local Option Sales Tax increased by \$381,000 to \$1,607,000 at year end. Transfers were made in the current year to other funds but for less than half of the receipts for the current year.
- The Capital Projects cash balance decreased by \$2,218,000 to \$1,890,000 at year end, due to the construction of numerous streets included in the five year capital improvement plan and the completion of the police station.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The cash balance of the Enterprise Funds decreased by approximately \$3,000 to \$1,897,000. Most of this decrease is due to the increase in sewer operating and sewer debt service disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The final amendment was approved on June 2, 2010 and the amendment resulted in an increase in revenues of approximately \$1,171,000 and an increase in disbursements of approximately \$6,339,000. Revenue increases included intergovernmental, charges for services, use of money and property and miscellaneous. Expenditure increases included capital projects, debt services, public works, community and economic development, general government and business-type activities.

The City exceeded the amounts budgeted in the general government function for the year ended June 30, 2010.

Although the City amended their budget twice this fiscal year, the late settlement in June for bonding legal and a insurance covered vandalism claim, the general government function was exceeded.

The City continued it's aggressive street reconstruction including 2 Phases of a 4 Phase reconstruction of Washington Street (formerly Highway 34) through town which we inherited from the State. Besides the street improvements the project includes the installation of LED Historical street lighting that will improve public safety and be more energy efficient.

**City of Mount Pleasant
Management's Discussion and Analysis**

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$19,232,000 in bonds and other long-term debt, compared to approximately \$20,838,000 last year, as shown below.

Outstanding Debt at Year End (Expressed in Thousands)	June 30,	
	2010	2009
General obligation bonds	\$ 10,305	\$ 9,765
Revenue bonds	8,927	9,398
Urban renewal tax increment financing	<u>-</u>	<u>1,675</u>
Total	<u>\$ 19,232</u>	<u>\$ 20,838</u>

The City continues to carry a general obligation bond rating of A3, assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding combined general obligation debt of \$10.3 million is below its constitutional debt limit of approximately \$18.9 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2010 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the County now stands at 9.4 percent compared to 8.8 percent in June 2009. The City's cash balance is in good shape.

The City has begun a 3 budget year study of inflow and infiltration flows in the City's sanitary sewer system with the purpose of compliance with State mandates and eliminating basement backups and system overflows.

EXCLUDED COMPONENT UNITS

Mount Pleasant Municipal Utilities is a component unit of the City of Mount Pleasant. The City Council appoints the Board of Trustees of the Mount Pleasant Municipal Utilities. However, since Mount Pleasant Municipal Utilities operates under the accrual method of accounting and the City operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of the Mount Pleasant Municipal Utilities are available at the utilities office, 509 North Adams Street, Mount Pleasant, Iowa.

Mount Pleasant Public Library Foundation (Foundation) is a component unit of the City of Mount Pleasant. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library which serves the Mount Pleasant area, and to disburse those funds in a manner that will benefit the Library. The Foundation meets the definition of a component unit since it raises funds on behalf of the Library. The financial statements of Mount Pleasant Public Library Foundation have not been audited and, accordingly, this component unit has not been presented in the accompanying primary government audited financial statements.

**City of Mount Pleasant
Management's Discussion and Analysis**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the City Clerk, City of Mount Pleasant, 220 W. Monroe St, Mount Pleasant, Iowa 52641.

BASIC FINANCIAL STATEMENTS

City of Mount Pleasant
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2010

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 1,160,064	\$ 28,453	\$ 58,865	\$ -	\$ (1,072,746)	\$ -	\$ (1,072,746)
Public works	551,662	-	811,758	-	260,096	-	260,096
Culture and recreation	1,037,576	187,376	32,066	-	(818,134)	-	(818,134)
Community and economic development	341,160	-	-	17,000	(324,160)	-	(324,160)
General government	773,056	56,178	-	-	(716,878)	-	(716,878)
Debt service	4,161,475	-	-	-	(4,161,475)	-	(4,161,475)
Capital projects	3,518,036	-	-	993,407	(2,524,629)	-	(2,524,629)
Total governmental activities	<u>11,543,029</u>	<u>272,007</u>	<u>902,689</u>	<u>1,010,407</u>	<u>(9,357,926)</u>	<u>-</u>	<u>(9,357,926)</u>
Business type activities:							
Sewer	1,559,993	1,511,249	-	-	-	(48,744)	(48,744)
Solid waste	333,969	326,513	-	-	-	(7,456)	(7,456)
Total business type activities	<u>1,893,962</u>	<u>1,837,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,200)</u>	<u>(56,200)</u>
Total	<u>\$ 13,436,991</u>	<u>\$ 2,109,769</u>	<u>\$ 902,689</u>	<u>\$ 1,010,407</u>	<u>(9,357,926)</u>	<u>(56,200)</u>	<u>(9,414,126)</u>
General Receipts:							
Property tax levied for:							
General purposes					1,897,345	-	1,897,345
Tax increment financing					524,959	-	524,959
Debt service					1,042,079	-	1,042,079
Local option sales tax					648,769	-	648,769
Other city taxes					185,640	-	185,640
Unrestricted investment earnings					71,824	4,093	75,917
Bond proceeds					2,610,000	-	2,610,000
Transfers					(40,000)	40,000	-
Miscellaneous					401,538	8,933	410,471
Total general receipts and transfers					<u>7,342,154</u>	<u>53,026</u>	<u>7,395,180</u>
Change in cash basis net assets					(2,015,772)	(3,174)	(2,018,946)
Cash basis net assets beginning of year					<u>7,813,563</u>	<u>1,900,244</u>	<u>9,713,807</u>
Cash basis net assets end of year					<u>\$ 5,797,791</u>	<u>\$ 1,897,070</u>	<u>\$ 7,694,861</u>
Cash Basis Net Assets							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 124,254	\$ -	\$ 124,254
Expendable:							
Road use					750,845	-	750,845
Capital projects					1,890,133	-	1,890,133
Sales tax					1,607,687	-	1,607,687
Debt service					214,412	62,791	277,203
Other purposes					84,645	1,599,182	1,683,827
Unrestricted					<u>1,125,815</u>	<u>235,097</u>	<u>1,360,912</u>
Total cash basis net assets					<u>\$ 5,797,791</u>	<u>\$ 1,897,070</u>	<u>\$ 7,694,861</u>

See notes to financial statements.

City of Mount Pleasant
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2010

	Special Revenue						Other Nonmajor	
	General	Road Use	Sales Tax	TIF	Debt Service	Capital Projects	Governmental	Total
Receipts:								
Property tax	\$ 1,897,345	\$ -	\$ -	\$ -	\$ 1,042,079	\$ -	\$ -	\$ 2,939,424
Tax increment financing collections	-	-	-	524,959	-	-	-	524,959
Other taxes	185,640	-	648,769	-	-	-	-	834,409
Use of money and property	92,841	-	1,944	721	-	66,261	1,461	163,228
License and permits	47,230	-	-	-	-	-	-	47,230
Intergovernmental	67,813	773,536	-	-	-	982,652	49,066	1,873,067
Charges for services	182,180	-	-	-	-	-	6,696	188,876
Miscellaneous	305,463	-	-	-	-	48,978	31,623	386,064
Total receipts	<u>2,778,512</u>	<u>773,536</u>	<u>650,713</u>	<u>525,680</u>	<u>1,042,079</u>	<u>1,097,891</u>	<u>88,846</u>	<u>6,957,257</u>
Disbursements:								
Operating:								
Public safety	1,160,064	-	-	-	-	-	-	1,160,064
Public works	19,604	532,058	-	-	-	-	-	551,662
Culture and recreation	718,799	-	-	-	-	-	318,777	1,037,576
Community and economic development	162,169	-	-	120,608	-	-	58,383	341,160
General government	577,973	195,083	-	-	-	-	-	773,056
Debt service	-	-	-	-	4,161,475	-	-	4,161,475
Capital projects	-	-	-	-	-	3,518,036	-	3,518,036
Total disbursements	<u>2,638,609</u>	<u>727,141</u>	<u>-</u>	<u>120,608</u>	<u>4,161,475</u>	<u>3,518,036</u>	<u>377,160</u>	<u>11,543,029</u>
Excess (deficiency) of receipts over disbursements	<u>139,903</u>	<u>46,395</u>	<u>650,713</u>	<u>405,072</u>	<u>(3,119,396)</u>	<u>(2,420,145)</u>	<u>(288,314)</u>	<u>(4,585,772)</u>
Other financing sources (uses):								
Bond proceeds	2,610,000	-	-	-	-	-	-	2,610,000
Operating transfers in (out)	(2,830,731)	-	(269,272)	(427,961)	2,927,452	291,791	268,721	(40,000)
Total other financing sources (uses)	<u>(220,731)</u>	<u>-</u>	<u>(269,272)</u>	<u>(427,961)</u>	<u>2,927,452</u>	<u>291,791</u>	<u>268,721</u>	<u>2,570,000</u>
Net change in cash balances	(80,828)	46,395	381,441	(22,889)	(191,944)	(2,128,354)	(19,593)	(2,015,772)
Cash balances beginning of year	<u>1,206,643</u>	<u>704,450</u>	<u>1,226,246</u>	<u>225,099</u>	<u>204,146</u>	<u>4,018,487</u>	<u>228,492</u>	<u>7,813,563</u>
Cash balances end of year	<u>\$ 1,125,815</u>	<u>\$ 750,845</u>	<u>\$ 1,607,687</u>	<u>\$ 202,210</u>	<u>\$ 12,202</u>	<u>\$ 1,890,133</u>	<u>\$ 208,899</u>	<u>\$ 5,797,791</u>
Cash Basis Fund Balances								
Reserved for debt service	\$ -	\$ -	\$ -	\$ 202,210	\$ 12,202	\$ -	\$ -	\$ 214,412
Unreserved:								
General fund	1,125,815	-	-	-	-	-	-	1,125,815
Special revenue fund	-	750,845	1,607,687	-	-	-	84,645	2,443,177
Capital projects fund	-	-	-	-	-	1,890,133	-	1,890,133
Permanent fund	-	-	-	-	-	-	124,254	124,254
Total cash basis fund balances	<u>\$ 1,125,815</u>	<u>\$ 750,845</u>	<u>\$ 1,607,687</u>	<u>\$ 202,210</u>	<u>\$ 12,202</u>	<u>\$ 1,890,133</u>	<u>\$ 208,899</u>	<u>\$ 5,797,791</u>

See notes to financial statements.

City of Mount Pleasant
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2010

	Enterprise Funds				
	<u>Sewer Revenue</u>	<u>Sewer Plant Improvement</u>	<u>Sewer Sinking Fund</u>	<u>Solid Waste</u>	<u>Total</u>
Operating Receipts:					
Charges for services	\$ 1,511,249	\$ -	\$ -	\$ 326,513	\$ 1,837,762
Total operating receipts	<u>1,511,249</u>	<u>-</u>	<u>-</u>	<u>326,513</u>	<u>1,837,762</u>
Operating Disbursements:					
Business type activities	<u>807,053</u>	<u>-</u>	<u>-</u>	<u>333,969</u>	<u>1,141,022</u>
Total operating disbursements	<u>807,053</u>	<u>-</u>	<u>-</u>	<u>333,969</u>	<u>1,141,022</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>704,196</u>	<u>-</u>	<u>-</u>	<u>(7,456)</u>	<u>696,740</u>
Non-operating receipts (disbursements):					
Interest on investments	3,885	-	-	208	4,093
Miscellaneous	8,373	-	-	560	8,933
Debt service	<u>-</u>	<u>-</u>	<u>(752,940)</u>	<u>-</u>	<u>(752,940)</u>
Net non-operating receipts (disbursements)	<u>12,258</u>	<u>-</u>	<u>(752,940)</u>	<u>768</u>	<u>(739,914)</u>
Excess (deficiency) of receipts over (under) disbursements	716,454	-	(752,940)	(6,688)	(43,174)
Operating transfers in (out)	<u>(722,730)</u>	<u>9,800</u>	<u>752,930</u>	<u>-</u>	<u>40,000</u>
Net change in cash balances	(6,276)	9,800	(10)	(6,688)	(3,174)
Cash balances beginning of year	<u>17,858</u>	<u>1,589,382</u>	<u>62,801</u>	<u>230,203</u>	<u>1,900,244</u>
Cash balances end of year	<u>\$ 11,582</u>	<u>\$ 1,599,182</u>	<u>\$ 62,791</u>	<u>\$ 223,515</u>	<u>\$ 1,897,070</u>
Cash Basis Fund Balances					
Reserved for equipment replacement	\$ -	\$ 1,599,182	\$ -	\$ -	\$ 1,599,182
Reserved for debt service	-	-	62,791	-	62,791
Unreserved	<u>11,582</u>	<u>-</u>	<u>-</u>	<u>223,515</u>	<u>235,097</u>
Total cash basis fund balances	<u>\$ 11,582</u>	<u>\$ 1,599,182</u>	<u>\$ 62,791</u>	<u>\$ 223,515</u>	<u>\$ 1,897,070</u>

See notes to financial statements.

City of Mount Pleasant
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Mount Pleasant (City) is a political subdivision of the State of Iowa located in Henry County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development and general government services. The City also provides solid waste and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Mount Pleasant (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although their operational or financial relationship with the City is significant.

Excluded Component Units

Mount Pleasant Municipal Utilities is a component unit of the City of Mount Pleasant. The City Council appoints the Board of Trustees of the Mount Pleasant Municipal Utilities. However, since Mount Pleasant Municipal Utilities operates under the accrual method of accounting and the City operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of the Mount Pleasant Municipal Utilities are available at the utilities office, 509 North Adams Street, Mount Pleasant, Iowa.

Mount Pleasant Public Library Foundation (Foundation) is a component unit of the City of Mount Pleasant. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library, which serves the Mount Pleasant area, and to disburse those funds in a manner that will benefit the Library. The Foundation meets the definition of a component unit since it raises funds on behalf of the Library. The financial statements of Mount Pleasant Public Library Foundation have not been audited and, accordingly, this component unit has not been presented in the accompanying primary government audited financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Mount Pleasant Area Development Commission, Henry County Conference Board, Henry County 911 Board, Southeast Iowa Regional Planning Commission, Henry County Emergency Management Commission, Henry County Street & Road Classification Board and Des Moines County Regional Solid Waste Commission.

City of Mount Pleasant
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund (TIF) is used to account for urban renewal projects financed by tax increment financing.

City of Mount Pleasant
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Special Revenue (continued):

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and is used for capital improvements, equipment and community programs and services.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste collection system.

The Sewer Funds account for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the General Government function.

The budget adopted includes the City and the Mount Pleasant Municipal Utilities (component unit). However, for purposes of these financial statements, only the portion applicable to the City is included.

Subsequent Events

The City performed an evaluation of subsequent events through October 27, 2010, which is the date the financial statements were issued. There were no subsequent events that required disclosure or recognition in the financial statements as of June 30, 2010.

City of Mount Pleasant
Notes to Financial Statements

Note 2. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$121,216, \$110,534, and \$102,495, respectively, equal to the required contribution for each year.

International City Management Association (ICMA)

The Iowa Public Employees Retirement System regulations allows City Administrators to exempt themselves from participating in the state retirement system. Therefore, the City has made a retirement contribution to the ICMA retirement system for the City Administrator which allows a contribution up to 25% of salary with a maximum of \$12,000. For the years ended June 30, 2010, 2009, and 2008, these contributions totaled \$6,642, \$6,136, and \$5,361, respectively.

Note 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and sewer revenue bonds are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Sewer Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 915,000	\$ 325,853	\$ 485,000	\$ 319,814	\$ 1,400,000	\$ 645,667
2012	910,000	295,595	500,000	300,394	1,410,000	595,989
2013	915,000	271,420	516,000	280,326	1,431,000	551,746
2014	955,000	245,935	531,000	259,656	1,486,000	505,591
2015	970,000	222,625	546,000	238,117	1,516,000	460,742
2016-2020	4,745,000	681,147	2,967,000	843,946	7,712,000	1,525,093
2021-2025	<u>895,000</u>	<u>65,570</u>	<u>3,382,000</u>	<u>310,380</u>	<u>4,277,000</u>	<u>375,950</u>
	<u>\$ 10,305,000</u>	<u>\$ 2,108,145</u>	<u>\$ 8,927,000</u>	<u>\$ 2,552,633</u>	<u>\$ 19,232,000</u>	<u>\$ 4,660,778</u>

City of Mount Pleasant
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

The Code of Iowa requires principal and interest on general obligation bonds to be paid from the Debt Service Fund.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay two revenue bond issues. The bonds were issued April 1998 and November 2005. Proceeds from the notes provided financing for the construction of several sewer system projects. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$11,479,633. For the current year, principal and interest paid and total customer net receipts were \$752,940 and \$704,196, respectively.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Monthly transfers equal to a sum of one-twelfth of the principal of all the Sewer Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Sewer Revenue Bond Sinking Fund for the purpose of making bond interest and principal payments when due.
- (c) Sewer user charges must be established at a level which produces and maintains net revenues equal to at least 110% of principal and interest requirements due in the same year. The City has not met this requirement in the current year.
- (d) The City is in compliance with the Sewer Revenue Debt Service Reserve Account and Sewer Improvement Account requirements as stated in the revenue bond resolutions.

Note 4. Cash and Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the City or the agent of the City in the City's name.

City of Mount Pleasant
Notes to Financial Statements

Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2010, primarily relating to the General Fund, is \$149,000.

City employees accumulate sick leave up to a maximum of 120 days. If not used, this sick leave is otherwise lost except upon retirement when an employee may convert up to 30 days of unused sick leave to separation pay. The maximum liability to the City at June 30, 2010 is \$95,000.

Police Department employees accumulate holiday time. The maximum liability to the City at June 30, 2010 is \$700.

The above liabilities have been computed based on rates of pay as of June 30, 2010.

Note 6. Risk Management

The City of Mount Pleasant is a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administration expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contribution to the Pool for the year ended June 30, 2010 was approximately \$147,800.

City of Mount Pleasant
Notes to Financial Statements

Note 6. Risk Management (continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability for risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation and various types of liability insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7. Related Party Transactions

The City had business transactions between the City and City officials totaling \$6,905 during the year ended June 30, 2010. The Mount Pleasant Municipal Utility Company pays the City on an annual basis for use of the facilities. This amounted to \$100,000 for the year ended June 30, 2010 and is included as revenue in the general fund.

City of Mount Pleasant
Notes to Financial Statements

Note 8. Commitments

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City at June 30, 2010 are as follows:

Apron paving project	\$ 390,128
Street construction	1,653,790
Sewer project	<u>53,000</u>
	<u>\$ 2,096,918</u>

Note 9. Conduit Debt Obligations

The City has, in the past, assisted in several issues of industrial revenue bonds, issued for the purposes of constructing privately-owned manufacturing and other related facilities within the City. The bonds are not direct or contingent liabilities of the City, as the revenue from lease agreements and property purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can only look to these sources for repayment. The following are the original outstanding issues in which the City assisted:

<u>Company</u>	<u>Type</u>	<u>Year Issued</u>	<u>Amount Issued</u>
Metromail, Series A	Revenue	1980	\$ 500,000
Metromail, Series B	Revenue	1980	4,000,000
Vega Industries	Revenue	1981	2,865,000
Vega Industries	Revenue	1981	5,000,000
Twin City Corp/Makay Envelope	Revenue	1982	300,000
Twin City Corp/Makay Envelope	Revenue	1982	200,000
Heatilator	Revenue	1982	3,700,000
Pioneer	Revenue	1983	1,000,000
City Carton	Revenue	1984	350,000
Wal-Mart	Revenue	1984	10,000,000
Lomont Molding, Inc.	Revenue	1985	1,400,000

The City assumes many of these issues have been repaid, but has been unable to determine actual amounts still remaining at June 30, 2010.

The City has issued \$2,000,000 of Private College Taxable Refunding Bonds and \$2,200,000 of Private College Non-taxable Refunding Bonds pursuant to the provisions of Chapter 419 of the Code of Iowa. Bonds and interest thereon are payable solely out of revenues derived from the financing of the Iowa Wesleyan College project and shall never constitute an indebtedness to the City.

City of Mount Pleasant
Notes to Financial Statements

Note 10. Deficit Fund Balance

The HUD Rehab Grant Fund, a nonmajor governmental fund, had a deficit balance of \$32,831 at June 30, 2010. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of annual HUD reimbursements.

Note 11. Operating Lease

The City leases computer equipment for the police department. The lease has a term of three years expiring September 2010, with the option to renew for an additional twelve month period and is currently being negotiated. Lease payments for the year ended June 30, 2010 totaled \$13,829. Future minimum lease payments for the fiscal year ending June 30, 2011 is \$3,457.

Note 12. Donated Electricity and Water

The City is not billed for electricity and water usage or service and materials provided by the Mount Pleasant Municipal Utilities. The meters of the City are read monthly and the resulting amount computed at normal rates is considered to be a donation from the Mount Pleasant Municipal Utilities. During the year ended June 30, 2010, services donated by the Mount Pleasant Municipal Utilities to the City totaled approximately \$195,100 and \$14,500 for the electric and water funds, respectively.

Note 13. Public Safety Agreement

The City has an agreement with Henry County in which the County provides dispatching services for the City of Mount Pleasant. The City pays \$10,000 per year and the contract is cancelable by either party. The agreement amount shall be adjusted every three years thereafter by averaging the number of calls for the preceding three years and adjusting the hourly rate to the current hourly compensation rate of the Henry County communications dispatcher.

City of Mount Pleasant
Notes to Financial Statements

Note 14. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to:	
Library operations	\$ 255,840
Sewer sinking	752,930
Sewer improvement	9,800
HUD Grant	14,982
Capital projects	291,791
Debt service	<u>2,927,452</u>
	<u>\$ 4,252,795</u>
Transfer from:	
General fund	\$ 2,830,731
Sewer revenue	722,730
Local option sales tax	269,272
TIF funds	427,961
Other programs	<u>2,101</u>
	<u>\$ 4,252,795</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 15. Community Betterment Foundation

The City has established a non-endowed donor-advised fund through an agreement with The Greater Cedar Rapids Community Foundation to receive property for public charitable, scientific, literary and educational purposes. The donor retains the privilege of making recommendations to the Foundation's Board of Directors as to charitable distributions of principal from the fund in accordance with specific provisions. At June 30, 2010, this fund has a fair market value of \$40,001.

City of Mount Pleasant
Notes to Financial Statements

Note 16. Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 36 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$434 for single coverage and \$1,093 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$289,125 and plan members eligible for benefits contributed \$44,539 to the plan.

Note 17. Prospective Accounting Change

The GASB has issued a Statement not yet implemented by the City. Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued February 2009, will be effective for the City for the fiscal year ending June 30, 2011. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. The fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In the year that Statement No. 54 is implemented, the beginning fund balance classifications will be retroactively restated for prior periods presented. The City's management has not yet determined the effect this Statement will have on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Mount Pleasant
Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2010

	Governmental Funds <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds not Required to be Budgeted	<u>Total</u>	<u>Budgeted Amounts</u>		Final to Total Variance
					<u>Original</u>	<u>Final</u>	
Receipts:							
Property tax	\$ 2,939,424	\$ -	\$ -	\$ 2,939,424	\$ 2,934,637	\$ 2,934,637	\$ 4,787
Tax increment financing collections	524,959	-	-	524,959	513,500	513,500	11,459
Other city taxes	834,409	-	-	834,409	895,229	835,992	(1,583)
Use of money and property	163,228	4,093	1,461	165,860	136,628	164,060	1,800
Licenses and permits	47,230	-	-	47,230	35,550	35,550	11,680
Intergovernmental	1,873,067	-	-	1,873,067	1,628,863	2,630,393	(757,326)
Charges for service	188,876	1,837,762	-	2,026,638	1,986,112	2,649,722	(623,084)
Miscellaneous	<u>386,064</u>	<u>8,933</u>	<u>14,954</u>	<u>380,043</u>	<u>281,100</u>	<u>418,446</u>	<u>(38,403)</u>
Total receipts	<u>6,957,257</u>	<u>1,850,788</u>	<u>16,415</u>	<u>8,791,630</u>	<u>8,411,619</u>	<u>10,182,300</u>	<u>(1,390,670)</u>
Disbursements:							
Public safety	1,160,064	-	-	1,160,064	1,234,012	1,234,012	73,948
Public works	551,662	-	-	551,662	607,714	707,714	156,052
Culture and recreation	1,037,576	-	12,249	1,025,327	1,112,610	1,112,610	87,283
Community and economic development	341,160	-	8,450	332,710	759,767	1,143,300	810,590
General government	773,056	-	-	773,056	712,413	727,170	(45,886)
Debt service	4,161,475	-	-	4,161,475	1,437,693	4,237,693	76,218
Capital projects	3,518,036	-	-	3,518,036	2,345,000	5,245,000	1,726,964
Business type activities	-	1,893,962	-	1,893,962	1,994,044	2,134,966	241,004
Total disbursements	<u>11,543,029</u>	<u>1,893,962</u>	<u>20,699</u>	<u>13,416,292</u>	<u>10,203,253</u>	<u>16,542,465</u>	<u>3,126,173</u>
Excess (deficiency) of receipts over disbursements	(4,585,772)	(43,174)	(4,284)	(4,624,662)	(1,791,634)	(6,360,165)	(1,735,503)
Other financing sources (uses)	<u>2,570,000</u>	<u>40,000</u>	<u>(2,101)</u>	<u>2,612,101</u>	<u>25,000</u>	<u>2,612,178</u>	<u>(77)</u>
Net change in cash balances	(2,015,772)	(3,174)	(6,385)	(2,012,561)	(1,766,634)	(3,747,987)	1,735,426
Cash balances beginning of year	<u>7,813,563</u>	<u>1,900,244</u>	<u>246,277</u>	<u>9,467,530</u>	<u>13,559,839</u>	<u>13,559,839</u>	<u>(4,092,309)</u>
Cash balances end of year	<u>\$ 5,797,791</u>	<u>\$ 1,897,070</u>	<u>\$ 239,892</u>	<u>\$ 7,454,969</u>	<u>\$ 11,793,205</u>	<u>\$ 9,811,852</u>	<u>\$ (2,356,883)</u>

See accompanying independent auditor's report.

City of Mount Pleasant
Notes to Required Supplementary Information - Budgetary Reporting
June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, Internal Service, non-expendable trust, and agency funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$6,339,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the general government function.

OTHER SUPPLEMENTARY INFORMATION

City of Mount Pleasant
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2010

	Special Revenue					Permanent	
	Library	HUD	HUD	Library	Other	Old Forest	
	Operations	Special	Rehab	Bequests	Programs	Cemetery	Total
		Purpose	Grant			Perpetual	
		Grant				Care	
Receipts:							
Use of money and property	\$ -	\$ -	\$ -	\$ 1,252	\$ 209	\$ -	\$ 1,461
Charges for services	6,696	-	-	-	-	-	6,696
Miscellaneous	13,669	-	3,000	11,003	971	2,980	31,623
Intergovernmental	32,066	14,342	2,658	-	-	-	49,066
Total receipts	<u>52,431</u>	<u>14,342</u>	<u>5,658</u>	<u>12,255</u>	<u>1,180</u>	<u>2,980</u>	<u>88,846</u>
Disbursements:							
Culture and recreation	306,528	-	-	12,089	-	160	318,777
Community and economic development	-	14,324	35,609	-	8,450	-	58,383
Total disbursements	<u>306,528</u>	<u>14,324</u>	<u>35,609</u>	<u>12,089</u>	<u>8,450</u>	<u>160</u>	<u>377,160</u>
Excess (deficiency) of receipts over disbursements	<u>(254,097)</u>	<u>18</u>	<u>(29,951)</u>	<u>166</u>	<u>(7,270)</u>	<u>2,820</u>	<u>(288,314)</u>
Other financing sources (uses):							
Operating transfers in	255,840	-	15,000	-	2,500	-	273,340
Operating transfers out	-	(18)	-	-	4,601	-	(4,619)
Total other	<u>255,840</u>	<u>(18)</u>	<u>15,000</u>	<u>-</u>	<u>(2,101)</u>	<u>-</u>	<u>268,721</u>
Net change in cash balances	1,743	-	(14,951)	166	(9,371)	2,820	(19,593)
Cash balances beginning of year	<u>95</u>	<u>-</u>	<u>(17,880)</u>	<u>44,971</u>	<u>79,872</u>	<u>121,434</u>	<u>228,492</u>
Cash balances end of year	<u>\$ 1,838</u>	<u>\$ -</u>	<u>\$ (32,831)</u>	<u>\$ 45,137</u>	<u>\$ 70,501</u>	<u>\$ 124,254</u>	<u>\$ 208,899</u>
Cash Basis Fund Balances							
Unreserved:							
Special revenue funds	\$ 1,838	\$ -	\$ (32,831)	\$ 45,137	\$ 70,501	\$ -	\$ 84,645
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,254</u>	<u>124,254</u>
Total cash basis fund balances	<u>\$ 1,838</u>	<u>\$ -</u>	<u>\$ (32,831)</u>	<u>\$ 45,137</u>	<u>\$ 70,501</u>	<u>\$ 124,254</u>	<u>\$ 208,899</u>

See accompanying independent auditor's report.

**City of Mount Pleasant
Statement of Indebtedness
Year Ended June 30, 2010**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General obligation bonds:								
General purpose	06/09/00	3.60-4.45%	\$ 3,535,000	\$ 200,000	\$ -	\$ 100,000	\$ 100,000	\$ 8,800
General purpose, Series 2002A	03/01/02	4.00-4.13%	2,000,000	500,000	-	500,000	-	20,500
General purpose, Series 2003B	06/02/03	3.70-5.00%	925,000	730,000	-	730,000	-	33,645
General purpose, Series 2004A	05/12/04	2.40-4.25%	1,265,000	565,000	-	565,000	-	20,728
General purpose, Series 2006	10/01/06	3.30%	350,000	350,000	-	20,000	330,000	11,550
General purpose, Series 2009A	04/01/09	3.40-3.85%	5,000,000	5,000,000	-	-	5,000,000	182,772
General purpose, Series 2009B	05/01/09	1.00-4.00%	2,420,000	2,420,000	-	155,000	2,265,000	69,535
General purpose, Series 2010A	05/01/10	2.00-3.60%	1,970,000	-	1,970,000	-	1,970,000	-
General purpose, Series 2010B	05/01/10	2.00-3.10%	640,000	-	640,000	-	640,000	-
				<u>9,765,000</u>	<u>2,610,000</u>	<u>2,070,000</u>	<u>10,305,000</u>	<u>347,530</u>
Revenue bonds:								
Sewer Revenue Bond	04/01/98	4.23%	7,657,000	4,608,000	-	380,000	4,228,000	138,240
Sewer Revenue Refunding Bonds Series 2005	11/29/05	3.00%	5,110,000	<u>4,790,000</u>	<u>-</u>	<u>91,000</u>	<u>4,699,000</u>	<u>143,700</u>
				<u>9,398,000</u>	<u>-</u>	<u>471,000</u>	<u>8,927,000</u>	<u>281,940</u>
Urban renewal TIF revenue bonds:								
Sewer, Series 2003C	06/01/03	3.60-4.50%	1,675,000	<u>1,675,000</u>	<u>-</u>	<u>1,675,000</u>	<u>-</u>	<u>67,095</u>
				<u>1,675,000</u>	<u>-</u>	<u>1,675,000</u>	<u>-</u>	<u>67,095</u>
Total				<u>\$ 20,838,000</u>	<u>\$ 2,610,000</u>	<u>\$ 4,216,000</u>	<u>\$ 19,232,000</u>	<u>\$ 696,565</u>

See accompanying independent auditor's report.

**City of Mount Pleasant
Bond Maturities
June 30, 2010**

Year Ending June 30,	<u>General Obligation Bonds</u> <u>General Purpose</u> <u>Issued June 9, 2000</u>		<u>General Obligation Bonds</u> <u>Refunding Series 2006</u> <u>Issued October 1, 2006</u>		<u>General Obligation Bonds</u> <u>Series 2009A</u> <u>Issued April 1, 2009</u>		
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2011	4.45%	\$ 100,000	3.30%	\$ 330,000	3.40%	\$ 50,000	
2012		-		-	3.40%	475,000	
2013		-		-	3.45%	475,000	
2014		-		-	2.60%	500,000	
2015		-		-	2.90%	525,000	
2016		-		-	3.20%	550,000	
2017		-		-	3.40%	575,000	
2018		-		-	3.60%	600,000	
2019		-		-	3.75%	625,000	
2020		-		-	3.85%	625,000	
		<u>\$ 100,000</u>		<u>\$ 330,000</u>		<u>\$ 5,000,000</u>	

Year Ending June 30,	<u>General Obligation Bonds</u> <u>Series 2009B</u> <u>Issued May 1, 2009</u>		<u>General Obligation Bonds</u> <u>Series 2010A</u> <u>Issued May 1, 2010</u>		<u>General Obligation Bonds</u> <u>Series 2010B</u> <u>Issued May 1, 2010</u>		Total General Obligation Bonds
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2011	1.20%	\$ 145,000	2.00%	\$ 170,000	2.00%	\$ 120,000	\$ 915,000
2012	1.50%	135,000	2.00%	175,000	2.00%	125,000	910,000
2013	1.90%	140,000	2.00%	175,000	2.35%	125,000	915,000
2014	2.20%	150,000	2.00%	175,000	2.70%	130,000	955,000
2015	2.50%	155,000	2.25%	150,000	3.10%	140,000	970,000
2016	2.80%	165,000	2.50%	150,000	-	-	865,000
2017	3.00%	170,000	2.80%	200,000	-	-	945,000
2018	3.20%	180,000	3.10%	225,000	-	-	1,005,000
2019	3.40%	185,000	3.25%	150,000	-	-	960,000
2020	3.60%	195,000	3.40%	150,000	-	-	970,000
2021	3.90%	205,000	3.50%	125,000	-	-	330,000
2022	4.00%	215,000	3.60%	125,000	-	-	340,000
2023	4.00%	225,000		-	-	-	225,000
		<u>\$ 2,265,000</u>		<u>\$ 1,970,000</u>		<u>\$ 640,000</u>	<u>\$ 10,305,000</u>

See accompanying independent auditor's report.

**City of Mount Pleasant
Bond Maturities
June 30, 2010**

Year Ending June 30,	<u>Sewer Revenue Refunding</u> <u>Series 98-B&02-C</u> <u>Issued November 29, 2005</u>		<u>Sewer Revenue Bond</u> <u>State Revolving Funds</u> <u>Entered Into April 1, 1998</u>		<u>Total Sewer</u>
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	
2011	3.00%	\$ 89,000	4.23%	\$ 396,000	\$ 485,000
2012	3.00%	88,000	4.23%	412,000	500,000
2013	3.00%	86,000	4.23%	430,000	516,000
2014	3.00%	83,000	4.23%	448,000	531,000
2015	3.00%	79,000	4.23%	467,000	546,000
2016	3.00%	74,000	4.23%	487,000	561,000
2017	3.00%	70,000	4.23%	508,000	578,000
2018	3.00%	67,000	4.23%	529,000	596,000
2019	3.00%	63,000	4.23%	551,000	614,000
2020	3.00%	618,000	-	-	618,000
2021	3.00%	637,000	-	-	637,000
2022	3.00%	656,000	-	-	656,000
2023	3.00%	676,000	-	-	676,000
2024	3.00%	696,000	-	-	696,000
2025	3.00%	<u>717,000</u>	-	<u>-</u>	<u>717,000</u>
		<u>\$ 4,699,000</u>		<u>\$ 4,228,000</u>	<u>\$ 8,927,000</u>

See accompanying independent auditor's report.

City of Mount Pleasant
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

	Year Ended June 30,							
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:								
Property tax	\$ 2,939,424	\$ 2,790,275	\$ 2,666,464	\$ 2,598,300	\$ 2,743,478	\$ 2,684,045	\$ 2,664,877	\$ 2,233,835
Tax increment financing collections	524,959	520,920	508,792	357,760	211,403	293,711	365,003	327,854
Other city taxes	834,409	1,001,581	966,396	873,980	930,027	894,428	837,250	699,009
Use of money and property	163,228	366,187	612,916	411,378	265,513	193,164	186,122	182,448
Licenses and permits	47,230	30,457	37,470	69,816	38,000	40,557	73,681	34,144
Intergovernmental	1,873,067	1,609,754	1,276,027	2,135,387	1,446,231	2,075,264	1,382,920	1,891,849
Charges for services	188,876	193,861	217,261	182,362	214,298	294,525	319,066	309,353
Special assessments	-	217	4,421	5,937	6,307	11,874	18,156	13,901
Miscellaneous	<u>386,064</u>	<u>509,840</u>	<u>554,115</u>	<u>1,483,597</u>	<u>828,290</u>	<u>1,874,589</u>	<u>973,201</u>	<u>235,571</u>
Total	<u>\$ 6,957,257</u>	<u>\$ 7,023,092</u>	<u>\$ 6,843,862</u>	<u>\$ 8,118,517</u>	<u>\$ 6,683,547</u>	<u>\$ 8,362,157</u>	<u>\$ 6,820,276</u>	<u>\$ 5,927,964</u>
Disbursements:								
Operating:								
Public safety	\$ 1,160,064	\$ 1,226,576	\$ 1,091,768	\$ 1,684,159	\$ 1,148,526	\$ 979,955	\$ 1,028,699	\$ 936,670
Public works	551,662	544,929	761,693	454,133	676,375	559,937	535,225	548,659
Health and social services	-	-	-	-	-	-	3,000	6,000
Culture and recreation	1,037,576	1,126,608	1,112,108	1,088,018	1,015,235	1,034,104	1,003,641	932,266
Community and economic development	341,160	739,541	294,961	493,463	199,371	159,254	178,258	225,513
General government	773,056	713,633	615,915	602,292	583,228	564,557	561,336	556,393
Debt service	4,161,475	8,877,801	1,534,138	1,205,693	1,432,832	1,789,598	3,109,457	1,565,410
Capital projects	<u>3,518,036</u>	<u>2,864,662</u>	<u>1,745,042</u>	<u>1,396,665</u>	<u>1,757,334</u>	<u>4,891,719</u>	<u>4,330,866</u>	<u>2,284,249</u>
Total	<u>\$ 11,543,029</u>	<u>\$ 16,093,750</u>	<u>\$ 7,155,625</u>	<u>\$ 6,924,423</u>	<u>\$ 6,812,901</u>	<u>\$ 9,979,124</u>	<u>\$ 10,750,482</u>	<u>\$ 7,055,160</u>

See accompanying independent auditor's report.



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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and Members of the City Council
City of Mount Pleasant, Iowa

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mount Pleasant, Iowa (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs, items 1-A-10 and 1-B-10, to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompany Schedule of Findings and Questioned Costs, item 1-C-10, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

October 27, 2010

City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part I: Findings Related to the Financial Statements

MATERIAL WEAKNESSES

- I-A-10 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of Mount Pleasant. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in the preparation of the financial statements.

Conclusion - Response accepted.

- I-B-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

**City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

Part I: Findings Related to the Financial Statements (continued)

SIGNIFICANT DEFICIENCY

- I-C-10 Credit Cards - The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation - The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response - Although the City has not established a formal written policy detailing specifics on the use of City credit cards, it has unwritten guidelines. The City will review procedures and guidelines and establish a written policy.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting

- II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010 exceed the amounts budgeted in the General Government function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation". The budget amendment was not adopted by May 31 as required by Chapter 24.9 of the Code of Iowa.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. The budget should have been amended by May 31 in accordance with Chapter 24.9 of the Code of Iowa.

Response - The budget will be amended in sufficient amounts and in the future by May 31, if applicable.

Conclusion - Response accepted.

- II-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

II-D-10 Business Transactions - Business transactions between the City and City officials are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transactions</u>	<u>Amount</u>
Brent Schleisman, City Administrator, wife is independent contractor	Cleaning services	\$ 6,905

The cleaning service transactions do not appear to represent a conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

II-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-10 Bonds and Revenue Notes - The City has established sinking, reserve and surplus accounts required by the sewer revenue note resolutions.

II-H-10 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-I-10 Financial Condition - The HUD Rehab Grant Fund had a deficit balance at June 30, 2010 of \$32,831.

Recommendation - We understand that project costs incurred prior to receipt of HUD reimbursements created the deficit in this account. However, the City should monitor the progress of the HUD receipts and disbursements and review the control procedures throughout the collection period.

Response - We will monitor and review.

Conclusion - Response accepted.